

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Approval of Minutes of the October 13, 1999
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: November 3, 1999

INFORMATION: _____

PRESENTER(S): Chairperson

Proposed minutes of the Investment Committee Meeting held in open session October 13, 1999
are submitted on the following pages.

**PROPOSED
MINUTES OF THE
INVESTMENT COMMITTEE MEETING
OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
OCTOBER 13, 1999
OPEN SESSION
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA**

COMMITTEE MEMBERS PRESENT

Gary Lynes, Chairperson
Yvonne Gallegos Bodle
George Fenimore
Marty Mathiesen
Lillian Raffel
Emma Zink
Phil Angelides, State Treasurer
Kathleen Connell, State Controller
Curt Robinson, representing State Superintendent
of Public Instruction, Delaine Eastin
Annette Porini, representing State Director of Finance
Tim Gage

ALSO PRESENT

James Mosman, Chief Executive Officer
Patrick Mitchell, Chief Investment Officer
Elleen Okada, Director of Investment Admin. and External Relations
Chris Waddell, Chief Counsel
Christine Drevalas, Treasury Program Manager
Michael Foulkes, Deputy Controller
Doug Wills, Staff Counsel
Steven Tong, Director of Internal Equities
Mitch Pleis, Director of Real Estate
Michelle Cunningham, Director of Fixed Income
Real Desrochers, Director of Alternative Investments
Richard Rose, Investment Officer
Allan Emkin, Pension Consulting Alliance
Toni Brown, Callan Associates
Terry Dennison, Mercer Investment Consulting
Nori Gerardo Lietz, Pension Consulting Alliance
Terry Sander, Pension Consulting Alliance
Doug LeBon, Pathway Capital Management
Al Clerc, Pathway Capital Management
David Spina, State Street Bank
J. Curtis Shambaugh, CS First Boston
Christopher Ainley, Trust Company of the West
Perry Young, Standard and Poors
John Greenlee, Canadian Imperial Bank of Commerce

Jeff Heckman, Canadian Imperial Bank of Commerce
Mary Neal, Orrick, Herrington, and Sutcliff
Edna White, California Retired Teachers' Association
Ellen Logue, California Teachers' Association, Retired
Loretta Toggenburger, United Teachers of Los Angeles, Retired
Beverly Carlson, California Teachers' Association
Lois Shive, California Teachers' Association
Mary Ann Avansino, Administrative Assistant

A quorum being present, Chairperson Lynes called the open session meeting at 10:00 a.m.

I. **ANNOUNCEMENTS** (Item 2)

There were no announcements at this time.

II. **APPROVAL OF MINUTES OF THE SEPTEMBER 1, 1999 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)

MOTION duly made by Mr. Mathiesen, seconded by Dr. Connell and carried to approve the minutes of the September 1, 1999 Investment Committee, Open Session as presented. Dr. Bodle abstained.

III. **PANEL DISCUSSION – Y2K AND BEYOND** (Item 4)

Ms. Okada and Mr. Mitchell introduced Mr. Spina, Mr. Ainley and Mr. Shambaugh. The panel discussed Y2K issues as they relate to the banking industry, the stock market and global markets. Discussion ensued.

Chairperson Lynes recessed the meeting at 10:55 a.m.

The meeting reconvened at 11:08 a.m.

When the meeting reconvened Mr. Foulkes represented the State Controller.

IV. **GENERAL – SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 1999** (Item 5)

Mr. Emkin presented a written and oral performance report for the period ending June 30, 1999. Discussion ensued.

MOTION duly made by Mr. Fenimore, seconded by Ms. Zink and carried to adopt a resolution to accept the semi-annual performance report submitted by Pension Consulting Alliance as presented.

V. **ALTERNATIVE INVESTMENTS - SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 1999** (Item 6)

Mr. Clerc and Mr. Le Bon presented a written and oral performance report for the period ending June 30, 1999. Discussion ensued.

MOTION duly made by Ms. Zink, seconded by Ms. Raffel and carried to adopt a resolution to accept the semi-annual report submitted by Pathway Capital Management as presented.

VI. **REAL ESTATE - SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING JUNE 30, 1999** (Item 7)

Ms. Gerardo Lietz and Ms. Sander presented a written and oral performance report for the period ending June 30, 1999. Discussion ensued.

MOTION duly made by Ms. Zink, seconded by Mr. Fenimore and carried

to adopt a resolution to accept the semi-annual report submitted by Pension Consulting Alliance and E&Y Kenneth Levanthal as presented.

Chairperson Lynes recessed the meeting at 12:30 p.m.
The meeting reconvened at 1:15 p.m.

Dr. Connell returned to the meeting at 1:15 p.m.

- VII. **ALTERNATIVE INVESTMENTS – FIRST TIME FUND POLICY** (Item 8)
Mr. Clerc reviewed the written report on investing in first time funds. Discussion ensued.
No action was taken.

- VIII. **CREDIT ENHANCEMENT – NATIONAL CREDIT ENHANCEMENT PROGRAM** (Item 9)
Mr. Rose introduced Mr. Perry, Mr. Greenlee, Mr. Heckman and Ms. Neal. Mr. Perry reviewed the CalSTRS AAA Standard and Poors rating. Mr. Greenlee and Mr. Heckman discussed the concept of a consortium of pension funds providing credit enhancement on a national basis. Discussion ensued.

MOTION duly made by Dr. Connell and seconded by Ms. Zink to request a written report from consultants on exposure and effects on the balance sheet of CalSTRS participation in a consortium of pension funds to provide credit enhancement on a national basis. Following discussion the motion was withdrawn

Ms. Zink exited the meeting at 3:00 p.m.

MOTION duly made by Dr. Connell and seconded by Dr. Bodle to direct staff to table exploration of the issue of CalSTRS participation in a consortium of public pension to provide credit enhancement on a national basis. A roll call vote was taken. Dr. Bodle, Ms. Raffel, Mr. Angelides, Dr. Connell, Mr. Robinson and Ms. Porini voted yes. Mr Fenimore and Mr. Mathiesen abstained. The motion carried.

Chairperson Lynes recessed the meeting at 3:10 p.m.
The meeting reconvened at 3:15 p.m.

Ms. Zink returned to the meeting at 3:15 p.m.

Mr. Foulkes assumed representation for the State Controller at 3:15 p.m.

- IX. **EXTERNAL EQUITY – ALLOWABLE EMERGING MARKET COUNTRIES** (Item 10)
Mr. Emkin reviewed the written report. Discussion ensued. Mr. Mitchell stated that a complete discussion of emerging markets would be scheduled for the February or March meeting.

Dr. Connell returned to the meeting at 3:40 p.m.

- X. **LEGISLATION** (Item 11)
There was nothing further to report.

Mr. Angelides left the meeting at 3:45 p.m. Ms. Drevalas represented the State Treasurer.

- XI. **GENERAL – DRAFT OF THE 1999 INVESTMENT MANAGEMENT PLAN** (Item 12)
Mr. Mitchell requested comments from the Committee regarding the draft of the 1999 Investment Management Plan. The final Plan will be presented for approval at the November meeting.
- Chairperson Lynes recessed the meeting at 3:45 p.m.
The meeting reconvened at 3:50 p.m.
- XII. **ACTIVITY STATUS REPORT – CREDIT ENHANCEMENT** (Item 13)
Mr. Rose reviewed the written report.
- XIII. **ACTIVITY STATUS REPORT – REAL ESTATE** (Item 14)
Mr. Pleis presented the written report. Mr. Pleis further reported to the Committee that he has resigned and his last day at CalSTRS will be October 29th. Mr. Mitchell discussed the need for an independent fiduciary to review high-risk real estate investment opportunities. Discussion ensued. Staff was directed to prepare, for Committee approval, an RFP for real estate independent fiduciary.
- XIV. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 15)
Mr. Desrochers presented the written report.
- XV. **QUARTERLY LITIGATION REPORT** (Item 16)
Mr. Waddell presented the written report.
- XVI. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 17)
Mr. Mitchell reviewed the written report.
- XVII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 18)
There were no statements from the public.
- XVIII. **MOVE TO CLOSED SESSION**
Chairperson Lynes recessed the meeting at 4:10 p.m. and reconvened into closed session at 4:20 p.m.
- XIX. **ADJOURNMENT**
Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 4:55 p.m.

James D. Mosman, Chief Executive Officer and Secretary to the
Teachers' Retirement Board

Gary Lynes, Chairperson